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Global Tax Alert

News from EY Americas Tax

Puerto Rico enacts additional COVID-19 stimulus measures with implications for tax years 2019 and 2020

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On 14 June 2020, Puerto Rico's Governor signed into law a second round of measures to boost the economy and help support small and medium-sized businesses amid the COVID-19 pandemic.

The new legislation, Act 57-2020, titled the *Complementary Law to Address the Effects to the Puerto Rican Economy Caused by the COVID-19 Emergency*, includes several important changes, mainly for tax years 2019 and 2020. Notably, among the stimulus measures, Act 57-2020:

- ▶ Eliminates for the months of April, May and June the 4% sales and use tax (IVU by its Spanish acronym) on services rendered to other merchants (known as B2B) and designated professional services
- ▶ Exempts merchants with valid temporary exemption certificates from collecting the IVU on importation and purchase of taxable items for resale from 6 April through 30 June 2020
- ▶ Extends the filing and payment of monthly IVU obligations for the months of February, March, April and May to 20 April, 20 May, 22 June and 20 July, respectively
- ▶ Exempts temporarily during the period from 23 March to 30 June the obligation to collect the 10% income tax withholding at source for services rendered

- ▶ Allows tax year 2020 losses generated as a result of COVID-19 to be carried back to the previous two years with certain limitations, including that the carryback does not apply to large taxpayers, or taxpayers whose volume of business exceeds US\$10 million
- ▶ Eliminates for tax year 2019 the US\$500 minimum payment of alternative minimum tax
- ▶ Postpones the requirement in tax year 2019 of the “Agreed Upon Procedures” report prepared by a CPA, which would otherwise be needed to claim certain deductions for alternative minimum tax purposes
- ▶ Excludes from gross income items related to certain aid, subsidies and incentives received through federal programs (i.e., the CARES Act) and local incentives, and, similarly, allows claiming expenses as deductions even if they have been paid with federal and local incentives
- ▶ Extends further the tax return filing due date for returns with original due dates between 15 March and 15 June, to 15 July
- ▶ Extends automatically for six months certain licenses and permits required in commercial activity
- ▶ Recognizes automatic compliance for tax year 2020 with certain key tax grant requirements that may have been impacted directly by the COVID-19 situation

Act 57-2020 also codifies various administrative measures, including the extension of deadlines for filing certain informative returns and tax forms.

Implications

Taxpayers should be on the lookout for implementation guidance from the Puerto Rico Treasury Department (PRTD) so they can apply the measures that may be relevant to them. For example, taxpayers that have already filed their income tax returns and paid the alternative minimum tentative contribution of US\$500 will be able to claim a refund for that amount and receive the refund within 45 days of their request. The PRTD must promulgate the procedures to follow and the form to use to request the refund. Similarly, merchants that have already collected the IVU on services and designated professional services need to evaluate how to manage the three months that were free from IVU, depending on what is included in the rules that are expected from PRTD.

For additional information with respect to this Alert, please contact the following:

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